2001 ANNUAL REPORT

THE FORKS NORTH PORTAGE PARTNERSHIP

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MISSION STATEMENT

The mission of The Forks North Portage Partnership is to act as a catalyst, encouraging activities for people in downtown through public and private partnerships and revitalization strategies; and to work to ensure financial self-sufficiency:

The North Portage neighbourhood shall be a centre of commerce, culture and living, integrated to form a diverse downtown community through a mixture of public uses including: residential, commercial and institutional, recreational, educational and entertainment facilities;

and

The Forks shall be developed as a "Meeting Place", a special and distinct, all season gathering and recreational place at the junction of the Red and Assiniboine Rivers, through a mixed use approach including recreational, historical and cultural, residential, and institutional and supportive commercial uses.

THE FORKS NORTH PORTAGE PARTNERSHIP

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a better downtown

MESSAGE FROM THE CEO

On Canada Day 2001, I completed my first year as CEO of The Partnership. It has been a fascinating and challenging year. We have initiated a number of operational changes and have created a solid management team. The Board of Directors under the capable leadership of Bill Norrie has provided the support, guidance and resources required to manage this unique and complex organization. Board and staff have worked together to create a long-term plan for our land holdings in the North Portage neighbourhood and at The Forks.

We have involved and engaged Winnipeggers in the planning process through a successful community consultation program and have heard a variety of opinions and views regarding the downtown and particularly The Forks. The Forks remains Winnipeg's premier *meeting place* and our research stresses the importance of creating a welcoming environment with a delicate balance between commerce and open public space.

There is much excitement about possibilities for downtown Winnipeg with the announcement of the True North Project, Red River College, Mountain Equipment Co-op, Riverfront Drive, Provencher Pedestrian bridge, and a new vision for The Forks. We see new development opportunities relating to Portage Place and are experiencing a political commitment to the downtown that we have not seen for some time.

We know Winnipeggers are committed to making downtown a dynamic place and we have excellent partners in government, business and groups such as CentreVenture, the Downtown and Exchange Business Improvement Zones. We are working independently and in partnership to build a healthy downtown.

Our priorities for the 2001-2002 business year will focus on:

- Enhancing and improving The Forks Market as a unique retail and food destination
- Increasing financial performance of IMAX® Theatre
- Marketing the development sites on top of Portage Place
- Working with Portage Place management to ensure a viable mixed-use facility
- Creating a new parking structure at The Forks
- Continual improvement of site operations
- Finalizing our agreement for a character boutique hotel
- Introducing new winter family programming.

Our North Portage land holdings and parking operations provide The Partnership with the revenues necessary to offset the cost of important community events. Eighty different groups ranging from the Mennonite Central Committee to Winnipeg International Children's Festival to Manitoba Association of Native Languages held their event at The Forks, all attracting hundreds of locals residents and tourists to the site. We have completed a successful summer program with the launch of *Spiritfest — Concert for Causes* raising over $85,000 for various charities. This unique concert series attracted private sponsorship from local and national businesses, foundations, and the three levels of government. The summer Dancing Under the Canopy live music and dance event continues to attract some of Winnipeg's finest ballroom dancers along with hundreds of amateurs.

As we look to the future it is obvious that the world has become a different place since September 11, 2001. The impact of the terrorist attacks on New York and Washington affects all of us. The economic impact will unfold in the months to come and we must be in a position to manage our way through these uncertain times in building a stronger community. We will continue to work with our business partners, tenants and Shareholders in implementing the vision for The Forks, and the North Portage neighbourhood.

Jim August
Chief Executive Officer

MESSAGE FROM THE CHAIR

As I enter year two as Chair of the Board I have gained an appreciation of the complexity of issues and the new exciting challenges we face to ensure our downtown is truly the "heart of the city". While much work remains, the downtown is moving in the right direction as evident in the projects identified in the CEO's message. What is truly impressive is the dedication and commitment of so many individuals and organizations focused on the downtown.

One of the highlights of this past year's experience has been my involvement with the Board in a "blue sky" visioning exercise and the implementation of The Partnership's public consultation program. With a relatively new Board and a changing operating environment in the downtown our Board committed itself to taking a fresh look at North Portage and The Forks. Debating and critiquing past plans and proposals and generating new ideas to arrive at the "vision" were all part of the Board's intensive three month planning exercise.

Public response to the vision captured through the public consultation program was overwhelming with feedback received on a number of different levels. I was impressed both by the depth of discussion and the passion felt by many of the public. This experience has re-enforced the tremendous responsibilities with which the Board has been entrusted to meet public expectations.

While our mandate requires The Partnership to work towards achieving self-sufficiency at The Forks, the driving force behind the vision is the goal to enhance the unique character of the site and ensure a dynamic meeting place. The vision at North Portage includes objectives to introduce residential and entertainment uses, address vacant buildings, create new opportunities to live downtown, and enhance the pedestrian environment.

We will be releasing our Final Concept and Financial Plan to the public after we have concluded consultations with our Shareholders. I would like to thank each of our three Shareholders for their active interests on behalf of the citizens of Canada, Manitoba and Winnipeg, The Honourable Ron Duhamel, Minister of Western Economic Diversification, The Honourable Jean Friesen, Deputy Premier and Minister of Intergovernmental Affairs and His Worship Mayor Glen Murray. The accomplishments over the years have been made possible through the full support and cooperation of our Shareholders. In addition to their initial financial investment in our two sites, many of our public amenities and programs have been developed through direct assistance from the three levels of government.

This past year was one of the most successful in the way of programming on the Scotiabank Stage. Next summer promises to be equally as exciting and could reach new heights with The Forks serving as the venue for celebrations of the 2002 North American Indigenous Games. And let's remember we are a winter city and planning is underway to ensure the public enjoyment of a winter program in the downtown.

Property management, development of new initiatives and quality of life programming are all essential parts of the business of The Partnership. Nurturing our relationships with other partners and building public support will be key to mobilizing the necessary resources to reach beyond arbitrary geographic borders to ensure our efforts have a positive impact on the "heart of the city".

Words of appreciation to our Chief Executive Officer Jim August, members of the senior management team and all support staff are most appropriate. They have given leadership and advice to me and to all members of the Board of Directors. We have developed a true team approach to the affairs of The Forks North Portage Partnership and are committed to a common vision. We look forward to the challenges ahead.

William Norrie, QC
Chair

THE PARTNERSHIP

The Forks North Portage Partnership (The Partnership) is a community development corporation owned by the three levels of government on behalf of the citizens of Canada, Manitoba and Winnipeg. The Partnership is responsible for the continuing renewal and stewardship of two sites in Winnipeg's downtown: North Portage and The Forks.

With the implementation of the initial Concept and Financial Plans for North Portage (1984) and The Forks (1987), The Partnership has carried out its mandate through a diverse mix of renewal activities, resulting in complementary developments that are designed to attract Winnipeggers and visitors downtown.

The merger of the operations of The Forks Renewal Corporation and the North Portage Development Corporation formed The Forks North Portage Partnership in 1994, establishing one management structure to oversee development at the two sites.

Private/public partnerships and the continuing commitment of the three Shareholders make the numerous achievements of the year possible.

Concept & Financial Plan — Public Consultation Program

In Spring 2001, The Partnership launched a comprehensive planning and consultative process to establish a ten-year vision for enhancements to North Portage and The Forks. As an initial step, the Board of Directors examined challenges and opportunities for the two sites. The results of this three-month planning exercise, which included preliminary project concepts for the two sites, were summarized in the "Focus on the Future" newsletter prepared by The Partnership.

For North Portage proposed concepts include:

- the development of key sites at Portage Place
- working with Portage Place ownership to revitalize the mall
- financial support for site enhancements as part of the redevelopment of the Winnipeg Adult Education Centre
- development of opportunities for student housing
- enhancing important pedestrian connections in the area such as connections to the University of Winnipeg.

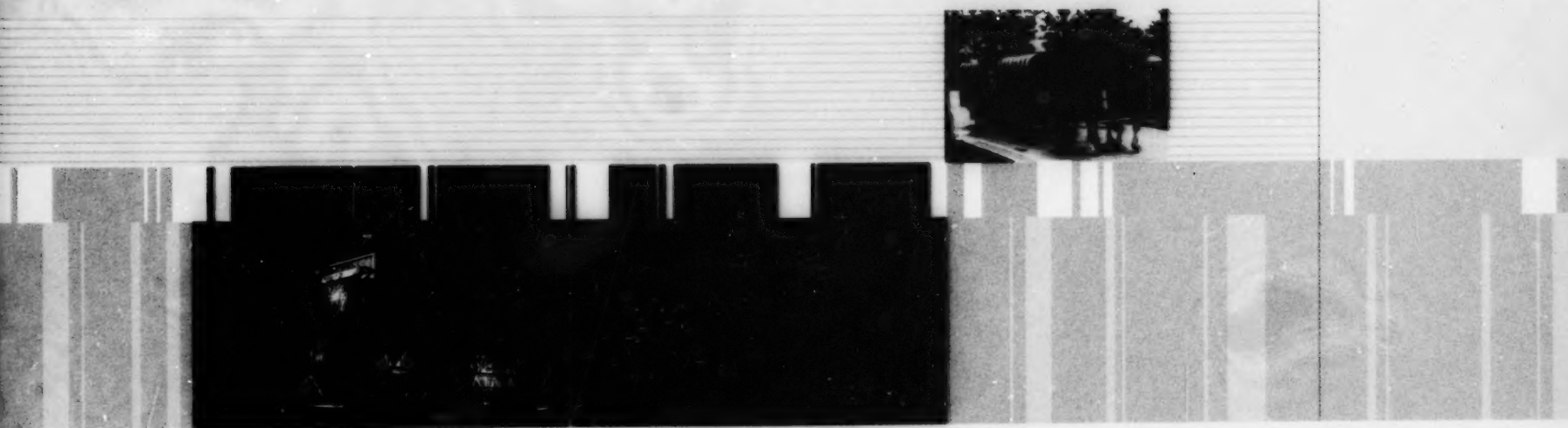
For The Forks proposed concepts include:

- public amenity enhancements adjacent to Festival Park (eg. pond, trees, sculpture garden, green house)
- pathway connection with St. Boniface pedestrian bridge
- incorporating heritage interpretation themes in site enhancements
- high quality festivals and events through the support of sponsors
- access improvements for alternative travel (eg. water transportation, streetcar)
- parking structure(s) to reduce surface parking
- compatible commercial uses including a light manufacturing facility and a character hotel.

As part of the Public Consultation Program the above concepts were presented to a variety of organizations interested in downtown redevelopment issues. Focus groups, a citywide telephone survey, a media news conference and three public open houses were also used to ensure Winnipeggers enjoyed an opportunity to share their views.

Through these activities, The Partnership confirmed public support of efforts in the North Portage and central business district to reuse vacant buildings, develop new entertainment facilities, create new opportunities to live downtown and improve the pedestrian environment. Research also indicates that a majority of Winnipeggers like the unique character of The Forks, which combines park space, shops and restaurants, and expressed a variety of views regarding its future. Results of the public consultation program can be accessed on The Partnership's web page at **www.forksnorthportage.com**.

Taking the public consultation findings into consideration The Partnership produced its Draft Concept and Financial Plan for review by the Shareholders. Following Shareholder approval The Partnership's Final Concept and Financial Plan will be prepared and released to the public and will form the basis for The Partnership's operations for the next ten years.



Strategic Alliances

Public and private efforts to stimulate the vitality of the downtown holds promise for renewed investment in Winnipeg's downtown.

A number of recent initiatives are in the planning stage and will bring new energy to the downtown.

- The True North Entertainment Centre
- Millennium Library project
- Waterfront Drive concept
- New Provencher Bridge
- Red River College downtown campus
- University of Winnipeg campus plan
- Convention Centre expansion

The Partnership will look beyond its geographic borders to connect with and assist proponents during the planning and design stages of major downtown projects. Strategic alliances of this nature will be key to ensuring synergy between neighbouring developments in the downtown.

In the fall 2001, The Partnership, True North, CentreVenture and the senior levels of government will participate in a task force to prepare an integrated plan for The True North Project to capitalize on downtown development opportunities.

Promoting Winnipeg's Downtown

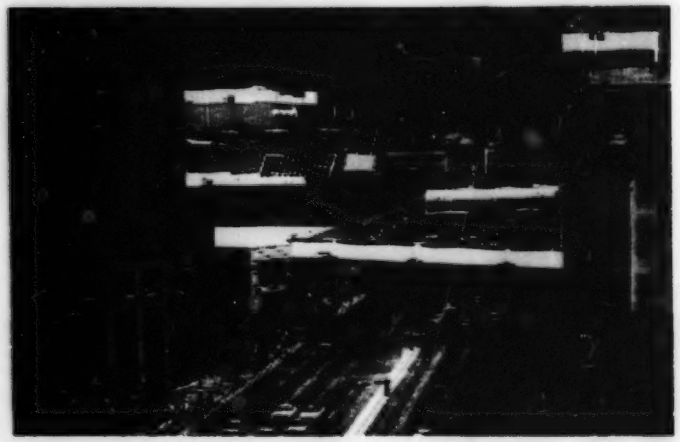
Through financial or participatory support, The Partnership has collaborated with other organizations to promote the downtown as a special destination, including:

- Tourism Winnipeg and 26 other partners as part of a meeting and convention consortium "Team Winnipeg" to promote Winnipeg as a major conference centre to major trade centres such as Ottawa, Toronto and Minneapolis.
- Downtown BIZ to ensure valuable programs such as the "Out to Lunch" concerts, Downtown Flyer and The Winnipeg Police Service Horse Patrol continue to provide service throughout the downtown community.
- Rues Principales St. Boniface and the St. Boniface community to undertake joint programming and marketing efforts such as the interpretive horse-drawn wagon tours and the St. Boniface/The Forks Visitor's Guide.

improvements

NORTH PORTAGE NEIGHBOURHOOD

The North Portage area includes a diverse mix of developments and activities: parking, commercial, recreational, entertainment and cultural uses, education and training programs, residential complexes and restored heritage buildings.



The Partnership re-invests in its properties to provide comfort and convenience for the public.

At the Portage Place parkade the first phase of a three-phase plan has been implemented to improve way finding and parkade information for customers. Colour coded signs and lighting are part of the improvements to ensure a safer and more secure environment. Improvements were also made to the Vaughan Street entrance ramp to minimize icing on the ramp during the winter months.

IMAX® Theatre at Portage Place provided some outstanding and unique family entertainment for over 150,000 visitors this past year, from a five-story tall Homer Simpson in Cyberworld to the artistic splendour of Cirque Du Soleil. The 35mm film program continues to build a huge following with its screening of cinematic favourites such as Titanic and Gladiator — proving that bigger is better on the IMAX® screen. The IMAX® Theatre at Portage Place also functions as a meeting facility with a capacity for large-scale multimedia presentations. Industry leaders in aerospace, information technology, medical research and financial planning have all become fans of IMAX® Theatre's cutting-edge presentation system and user-friendly facility.

Future Development

The infrastructure is in place to support a sixteen-story development atop the east and west ends of the Portage Place Mall. Possible future uses to be investigated include office, hotel, residential or entertainment uses. On another front The Partnership is working with the Salvation Army's William and Catherine Booth College on a significant expansion plan in the North Portage neighbourhood. The Partnership will also make a contribution to site enhancements as part of the redevelopment of the Winnipeg Adult Education Centre and preliminary planning is also underway with the University of Winnipeg to explore the feasibility of a student housing project in the North Portage Neighbourhood.

THE FORKS

The Forks attracts between three and five million visitors each year, making it one of the top destination attractions in Manitoba. Confirming our status as one of Canada's top tourist attractions, Canada Post issued a Forks stamp as part of a 10 stamp tourism series. Designated for U.S. and International mail, this collectible will help promote The Forks to potential visitors in the U.S. and around the world.

The Forks Ambassadors continue to meet and greet tour groups and visitors. Their summer headquarters, located in the historic CNR caboose, saw in excess of 6,000 visitors during its operating hours.

The Forks Market

Tenant sales at The Forks Market for 2000 were in excess of $12,700,00. With the exception of sales levels achieved during the Pan Am Games this was the highest experienced in The Market since the mid 1990's.

Coriolis Consulting Corporation was hired to conduct a full review of The Forks Market, the results being a 3-year strategy to revitalize the fresh food component. A renewed and energetic commitment to establish The Forks Market as a fresh food-shopping destination has begun through re-allocation of floor space and aggressive tenant recruiting.

The Partnership assisted in the formation of The Forks Market Merchants Organization, which held its inaugural meeting on May 1, 2001. The Forks Market Merchants Organization will be a key vehicle for advancing landlord and tenant communication and co-ordination.

The Partnership has restructured programming to emphasize more in-Market events during the colder weather months. Such events include The Forks Market Busker Festival, the ten-day Festival of Fools with performing artists and clowns from around North America and the always-popular International Wine Festival of Manitoba.

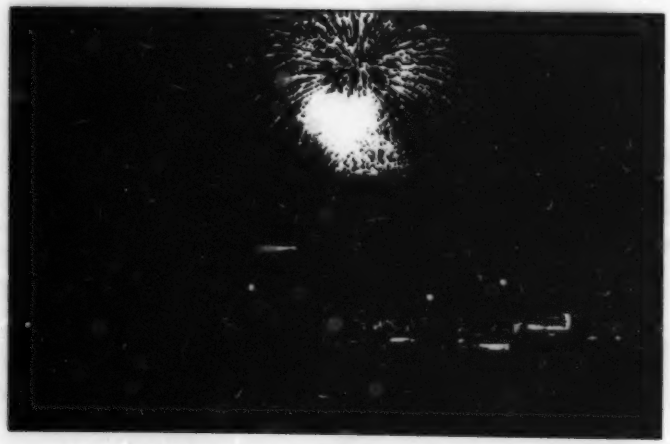
New Developments

In partnership with the Nature Conservancy of Canada and Growing Prospects, The Forks Prairie Garden continues to flourish at the foot of the Historic Rail Bridge. The Nature Conservancy has launched a capital campaign to augment the Prairie Garden with an interpretive centre. Growing Prospects continues to maintain and provide horticultural enhancements to the Prairie Garden and The Forks site.

The Partnership plays a leadership role on the Coalition Accès Rivière — River Access Coalition (CAR*RAC), a coalition of BIZ organizations and community groups with a shared vision to make the Red and Assiniboine Rivers a major transportation and recreation water corridor through Winnipeg's downtown. Two new docks — one in the Exchange District and the Hugo Street dock — were built this year to help launch a waterbus transit system that reached a ridership level of 50,000 this summer.

PROGRAMMING

The year always starts with a bang at Scotiabank's Family New Year's at The Forks, which has become a holiday tradition. For a second year, Scotiabank has been the presenting sponsor treating more than 15,000 revelers to an extensive array of indoor and outdoor activities including a fabulous fireworks show.

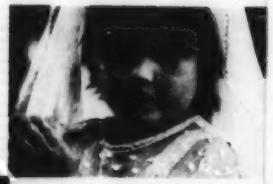


The unusually high water levels that existed in Fall 2000 led to unsafe conditions on the rivers throughout the winter. This unique circumstance was the catalyst for a new concept, which transformed Festival Park into Winter Park. In partnership with Festival du Voyageur, River Trail activities were moved to Festival Park. The site featured a one kilometre skating trail and skating rink; a snowboard ramp and toboggan slide at the Scotiabank Stage and the Christmas Ice Angel Project presented by Canadian LifeLight Ministries.

Spiritfest — Concert for Causes was a collaborative effort with community partnerships and support from three levels of government and major corporate sponsors including Molson Canada and Scotiabank. This six concert series was held between May and September and supported such causes as Habitat for Humanity, War Child and Winnipeg Harvest. Over 250,000 people gathered to hear quality entertainment and helped to generate in excess of $85,000 for participating charities. Entertainment included Kim Mitchell, Matthew Good, Long John Baldry, Our Lady Peace and Winnipeg's own Chantal Kreviazuk.

Winnipeg met and enjoyed the debut of Andrey Boreyko, the new maestro of the Winnipeg Symphony Orchestra, at The Forks this summer with a fabulous concert on the Scotiabank Stage. Thousands of Winnipeggers turned out on a beautiful summer evening to "Mambo with the Maestro".

meeting place



With the support of the presenting sponsor Crocus Investment Fund, *The Crocus Thursday Night Live — Dancing Under the Canopy* event continued to grow with a huge following of fans. On selected Thursday evenings from June to September, hundreds arrived to dance the night away. Some of Winnipeg's premier dance bands including Ron Paley Big Band, Swing Cats and Kings of Swing helped turn The Forks Plaza into a town square party.

With nearly 100 events staged each year it's easy to understand why The Forks is Winnipeg's premier "meeting place". Festival Park was the home of Kite Wars every Sunday afternoon throughout the summer. State-of-the-art kites were featured in demonstrations and workshops to the delight of thousands who participated. From the roar of the Dragon Boat races to the giggles of the Winnipeg International Children's Festival, there was something for everyone. We even had a day devoted to the dogs at The Great Manitoba Dog Party.

MARKETING AND PUBLIC INFORMATION

Through a combination of radio, billboards, newspapers and tourism magazines throughout Manitoba, Ontario, Saskatchewan, North Dakota and Minnesota, The Partnership launched an advertising campaign encouraging Winnipeggers and regional visitors to Rediscover The Forks Market.

The new *Welcome to The Forks* brochure provides a snapshot of The Forks. Within a ten-month period, more than 30,000 copies were distributed through participating hotels, Travel Manitoba, Tourism Winnipeg, bus tour groups and The Forks Market information kiosk.

For a second year, The Partnership, along with the Downtown and Exchange BIZ's, joined together to produce and distribute a pocket brochure promoting free concerts in the downtown.

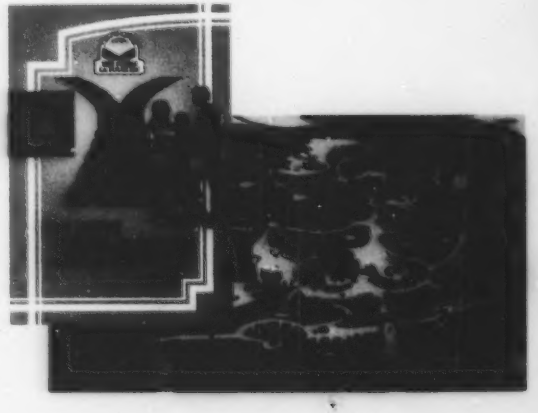
With the guidance of the Heritage Advisory Committee, *The Forks Site Guide* was produced. The guide provides visitors with an orientation of amenities and identifies historical occupations. The Committee also worked on the production of four interpretive panels located throughout The Forks Tower. Each panel provides a glimpse of the history at The Forks and the surrounding area through historical photos and detailed information in English, French and Cree.

Surfing has come to The Forks with the introduction of **theforks.com** web site. Complete with an interactive site guide and a monthly calendar of events, you can now plan your visit prior to leaving your house. The web site initially launched in September 2000 has been enhanced to include a link to the corporate site **forksnorthportage.com** where you can download this report.

The Shareholders

Annual Meetings with the three Shareholders provide an opportunity to discuss current business developments and future plans. It is also the vehicle through which The Partnership seeks approval of development plans for the two sites. Over the past year a tripartite Communications Committee, consisting of representatives from the three levels of government, was established to improve the communication lines with each Shareholder.

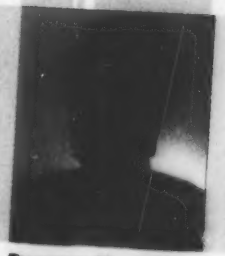
The Gateway to Festival Park constructed in the summer 2000 acknowledges the invaluable support of the Shareholders on behalf of the citizens of Canada, Manitoba and Winnipeg. Representatives of each Shareholder participated in a ceremony held on June 29, 2001. The Shareholder representatives placed symbolic items into a time capsule, sealing the capsule into the masonry wall to be re-opened in 99 years.



BOARD OF DIRECTORS

William Norrie, QC
Chair

Daniel Boucher



Rosemary Chambers

Jerry Cianflone

Elaine Cowan

Leonard Harapiak

Brad Hughes

Maxine Kaufman

Wayne Onchulenko

Piara Sharma

Jim August,
Chief Executive Officer

SUMMARY OF FINANCIAL INFORMATION

Operations And Investment Activities

	March 31 2001	2000
	(in thousands)	
Revenues		
Parking	2,881	2,896
Land Lease	1,531	1,509
Forks Market	1,493	1,572
IMAX® Theatre	1,025	1,150
Interest	554	494
Rental	566	469
Equivalency Revenue	221	–
Sponsorship	150	60
Events	81	135
Public Amenities Recoveries	68	146
Miscellaneous	65	325
Total Revenues	8,635	8,756
Expenses		
Parking	1,525	1,421
Forks Market	1,490	1,807
IMAX® Theatre	1,477	1,364
General & Administration	1,356	1,231
Program	754	665
Forks Site	721	801
Rental	303	334
Planning & Development	191	172
Sponsorship	86	12
Total Expenses	7,903	7,807
Income*	**732**	**949**
Investment and Financing Activities		
Net Investment In Partnership Assets	(1,328)	(3,459)
Equivalency Payments	833	813
Infrastructure Funding And Misc.	28	783
Net Changes In Non-cash Working Capital Items	190	(83)
Annual Cash Flow	**455**	**(997)**
Depreciation And Amortization:		
Depreciation On Replaceable Assets	1,578	1,391
Amortization On Non-replaceable Assets	1,738	1,782

* Net Income Before Depreciation And Amortization
Detailed Financial Statements available upon request

Balance Sheet

	March 31 2001	2000
	(in thousands)	
Assets		
Current	11,247	11,615
Other Receivables	11	435
Fixed	17,012	17,560
Properties & Infrastructure Enhancements	75,556	78,995
	103,826	**108,605**
Liabilities		
Current	5,119	7,532
Long Term	2,306	2,734
Equity		
Net Equity	96,401	98,339
	103,826	**108,605**

Comments
The Partnership completed the current fiscal year, after all capital expenditures, with a positive contribution to its closing cash position. In the prior year, the expenditures related to items such as constructing The Forks Festival Park, required an input of existing cash resources over and above the cash provided by annual operations. Partnership operations have consistently provided a positive cash flow before capital expenditures.

Revenues
Although overall revenues have declined year over year, favourable increases occurred in rental incomes, specifically related to the Public Press Building, higher levels of sponsorship dollars allowing increased programming, and higher rates of interest achieved on our investments.

During the year equivalency payments were received from The City of Winnipeg and were used towards funding capital projects at The Forks. Any funds remaining over and above those required for capital expenditures are recorded as "Equivalency Revenue" on the operating statement. The Province of Manitoba and the Government of Canada matched these contributions in prior years.

The prior year's results reflect the one-time effect of the Pan Am Games, which positively influenced The Forks Market income and Forks Site Recoveries. Declining attendance numbers at the IMAX® Theatre in the current fiscal year, due to the growing popularity of suburban mega-theatres, caused a reduction in theatre revenues. Included in the prior year's Miscellaneous revenue category are refunds related to business tax reassessments, totaling $273,000.

Expenses
Utility costs, specifically natural gas heating, increased substantially this year for all of the Partnership's properties. The prior year's Forks Market expenses reflect the influence of the Pan Am Games and the write-off of certain receivables deemed uncollectible.

For the current year, the General and Administration expense category includes one time reorganization costs of $222,000, and Program expenses include new initiatives such as Dancing Under The Canopy and the War Child Concert. IMAX® expenses include the cost of a public awareness advertising program. Included in Planning and Development are costs associated with the creation of the Partnership's Concept and Financial Plan including the related public consultation program.

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* Net Income Before Depreciation, Amortization

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